Public Employees Benefits Agency Revolving Fund

Annual Report for 2016-2017

saskatchewan.ca

Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2017.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour of submitting the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2017.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs as per Order in Council 581/2015 dated December 17, 2015:

Pension Funds

Anti-Tuberculosis League Employees Superannuation Plan
Capital Pension Plan
Judges of the Provincial Court Superannuation Plan
Liquor Board Superannuation Plan
Members of the Legislative Assembly Benefits
Municipal Employees' Pension Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Transportation Company Employees Superannuation Plan
The Power Corporation Superannuation Plan

Employee Benefit Funds

Additional Pension Contribution Program
Crown Investments Corporation of Saskatchewan Benefits Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and Local No. 600-5 Benefit Plans' Surplus Fund
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan Scheduled Aircraft Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Public Employees Deferred Salary Leave Plan
Public Employees Dental Plan
Public Employees Disability Income Plan
Public Employees Group Life Insurance Plan
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Designated Employee Benefit Plan
SaskPower Millennium Plan
SaskPower Severance Pay Credits Plan
SaskPower Supplementary Superannuation Plan
SaskTel Retirement Gratuity Plan
Water Security Agency of Saskatchewan Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $11,200,000 by Order in Council 4/2016.

Administration Costs

2017	$17,388,775
2016	$16,837,343
2015	$15,869,731
2014	$15,218,466

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2017, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 17, 2017

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2017

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2017, and the results of its operations, changes in its net debt, and changes in its accumulated net expenditure for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 17, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Public Employees Benefits Agency Revolving Fund **Statement 1**
Statement of Financial Position

As At March 31

	2017	2016
Financial Assets		
Accounts Receivable	$ 3,491,908	$ 2,089,312
Total Financial Assets	3,491,908	2,089,312
Liabilities		
Accounts Payable and Accrued Liabilities	2,344,304	1,791,392
Accumulated Net Expenditure (Statement 4; Note 2b, Note 3)	5,736,316	2,746,160
Total Liabilities	8,080,620	4,537,552
Net Debt (Statement 3)	4,588,712	2,448,240
Non-Financial Assets		
Prepaid Expenses	704,758	497,097
Tangible Capital Assets (Note 4)	3,883,954	1,951,143
Total Non-financial Assets	4,588,712	2,448,240
Accumulated Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Operations

Statement 2

For The Year Ended March 31

	2017		2016
	Budget (Note 7)	**Actual**	**Actual**
REVENUE			
Administration Fees	$ 18,190,112	$ 17,388,775	$ 16,837,343
EXPENSES			
Salaries and Benefits	8,611,656	8,827,792	8,327,779
Contractual Services	5,313,110	4,788,681	4,955,036
Amortization	577,000	511,024	682,107
Rent	1,617,081	1,621,811	1,363,735
Pension and Benefit Board Governance (Note 2f)	659,403	401,158	326,967
Postage and Communications	572,630	504,210	549,119
Supplies	447,035	391,203	340,399
Travel	143,702	111,620	70,842
Advertising/Printing	228,545	208,074	198,990
Business Expenses	13,200	4,367	3,883
Repairs and Maintenance	6,750	18,835	18,486
Total Expenses	18,190,112	17,388,775	16,837,343
Surplus	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 3**
Statement of Changes in Net Debt

For The Year Ended March 31

	2017		2016
	Budget (Note 7)	Actual	Actual
Net Debt, Beginning of Year	$ 2,448,240	$ 2,448,240	$ 3,051,858
Surplus			
Acquisition of Tangible Capital Assets (Note 4)	2,469,272	2,443,835	131,461
Amortization of Tangible Capital Assets (Note 4)	(577,000)	(511,024)	(682,107)
Net Increase (Decrease) in Prepaid Expense	-	207,661	(52,972)
	1,892,272	2,140,472	(603,618)
Net Debt, End of Year (Statement 1)	$ 4,340,512	$ 4,588,712	$ 2,448,240

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 4**
Statement of Changes in Accumulated Net Expenditure

For The Year Ended March 31

	2017	2016
Financing (used in) provided by operating activities:		
Amortization of Tangible Capital Assets (Note 4)	$ 511,024	$ 682,107
Decrease in Cash	-	400
(Increase)/Decrease in Accounts Receivable	(1,402,596)	230,544
Increase/(Decrease) in Accounts Payable	552,912	(191,806)
(Increase)/Decrease in Prepaid Expenses	(207,661)	52,972
Net financing (used in) provided by operating activities	(546,321)	774,217
Financing used in investing activities:		
Purchase of Tangible Capital Assets (Note 4)	(2,443,835)	(131,461)
Net financing used in investing activities	(2,443,835)	(131,461)
Net (Increase)/Decrease in Financing Requirements	(2,990,156)	642,756
Accumulated Net Expenditure, Beginning of Year	(2,746,160)	(3,388,916)
Accumulated Net Expenditure, End of Year (Statement 1)	$ (5,736,316)	$ (2,746,160)

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements

March 31, 2017

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure.
The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

In 2017, work in progress assets include system development costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) **Pension and Benefit Board Governance**

The pension plans and benefit programs administered by PEBA are governed by various Boards and Commissions. The expenses incurred by these governing bodies include honorariums, travel, training and consulting for initiatives related to the governance of the plans and programs.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $11,200,000 by Order in Council 4/2016.

	2017							2016
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total	Total
Opening Net Book Value of Tangible Capital Assets	$ 256,690	$ 1,246	$ 29,962	$ 917,114	$ 746,131	$ -	$ 1,951,143	$ 2,501,789
Opening Costs of Tangible Capital Assets	1,386,127	605,899	412,645	7,436,835	2,239,710	-	12,081,216	11,949,755
Additions During Year	60,058	87,996	-	-	531,231	1,764,550	2,443,835	131,461
Disposals/ Transfers During Year	-	-	-	-	-	-	-	-
Closing Costs of Tangible Capital Assets	1,446,185	693,895	412,645	7,436,835	2,770,941	1,764,550	14,525,051	12,081,216
Opening Accumulated Amortization	1,129,437	604,653	382,683	6,519,721	1,493,579	-	10,130,073	9,447,966
Annual Amortization	88,352	2,514	6,481	222,550	191,127	-	511,024	682,107
Disposals During Year	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,217,789	607,167	389,164	6,742,271	1,684,706	-	10,641,097	10,130,073
Net Book Value of Tangible Capital Assets	$ 228,396	$ 86,728	$ 23,481	$ 694,564	$ 1,086,235	$ 1,764,550	$ 3,883,954	$ 1,951,143

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $2,003,276 (2016 - $1,773,315) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993,* to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993.*

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2017-18	$ 1,643,359
2018-19	$ 1,643,359

The following table summarizes the Revolving Fund's related party transactions.

	2017	2016
Administration fees (Statement 2)	$ 17,388,775	$ 16,837,343
Expenses:		
Salaries and Benefits	1,321,480	1,243,750
Contractual Services	49,466	62,227
Rent	1,605,245	1,325,615
Postage and Communications	483,087	517,854
Supplies	420	900
Advertising	1,458	934
Pension and Benefit Board Governance	31,180	30,000
Travel	4,783	5,915
Repairs and Maintenance	5,958	12,381
Total Related Parties Expenses	$ 3,503,076	$ 3,199,576

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2017	2016
Accounts receivable	$ 3,491,908	$ 2,089,312
Accounts payable and accrued liabilities	304,222	318,015

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2017

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2017, and the results of its operations, changes in its net debt, and changes in its accumulated net expenditure for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 17, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Public Employees Benefits Agency Revolving Fund **Statement 1**
Statement of Financial Position

As At March 31

	2017	2016
Financial Assets		
Accounts Receivable	$ 3,491,908	$ 2,089,312
Total Financial Assets	3,491,908	2,089,312
Liabilities		
Accounts Payable and Accrued Liabilities	2,344,304	1,791,392
Accumulated Net Expenditure (Statement 4; Note 2b, Note 3)	5,736,316	2,746,160
Total Liabilities	8,080,620	4,537,552
Net Debt (Statement 3)	4,588,712	2,448,240
Non-Financial Assets		
Prepaid Expenses	704,758	497,097
Tangible Capital Assets (Note 4)	3,883,954	1,951,143
Total Non-financial Assets	4,588,712	2,448,240
Accumulated Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Operations

Statement 2

For The Year Ended March 31

	2017		2016
	Budget (Note 7)	**Actual**	**Actual**
REVENUE			
Administration Fees	$ 18,190,112	$ 17,388,775	$ 16,837,343
EXPENSES			
Salaries and Benefits	8,611,656	8,827,792	8,327,779
Contractual Services	5,313,110	4,788,681	4,955,036
Amortization	577,000	511,024	682,107
Rent	1,617,081	1,621,811	1,363,735
Pension and Benefit Board Governance (Note 2f)	659,403	401,158	326,967
Postage and Communications	572,630	504,210	549,119
Supplies	447,035	391,203	340,399
Travel	143,702	111,620	70,842
Advertising/Printing	228,545	208,074	198,990
Business Expenses	13,200	4,367	3,883
Repairs and Maintenance	6,750	18,835	18,486
Total Expenses	18,190,112	17,388,775	16,837,343
Surplus	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 3**
Statement of Changes in Net Debt

For The Year Ended March 31

	2017		2016
	Budget (Note 7)	Actual	Actual
Net Debt, Beginning of Year	$ 2,448,240	$ 2,448,240	$ 3,051,858
Surplus			
Acquisition of Tangible Capital Assets (Note 4)	2,469,272	2,443,835	131,461
Amortization of Tangible Capital Assets (Note 4)	(577,000)	(511,024)	(682,107)
Net Increase (Decrease) in Prepaid Expense	-	207,661	(52,972)
	1,892,272	2,140,472	(603,618)
Net Debt, End of Year (Statement 1)	$ 4,340,512	$ 4,588,712	$ 2,448,240

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 4**
Statement of Changes in Accumulated Net Expenditure

For The Year Ended March 31

	2017	2016
Financing (used in) provided by operating activities:		
Amortization of Tangible Capital Assets (Note 4)	$ 511,024	$ 682,107
Decrease in Cash	-	400
(Increase)/Decrease in Accounts Receivable	(1,402,596)	230,544
Increase/(Decrease) in Accounts Payable	552,912	(191,806)
(Increase)/Decrease in Prepaid Expenses	(207,661)	52,972
Net financing (used in) provided by operating activities	(546,321)	774,217
Financing used in investing activities:		
Purchase of Tangible Capital Assets (Note 4)	(2,443,835)	(131,461)
Net financing used in investing activities	(2,443,835)	(131,461)
Net (Increase)/Decrease in Financing Requirements	(2,990,156)	642,756
Accumulated Net Expenditure, Beginning of Year	(2,746,160)	(3,388,916)
Accumulated Net Expenditure, End of Year (Statement 1)	$ (5,736,316)	$ (2,746,160)

(See accompanying notes to the financial statements)

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure.
The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

In 2017, work in progress assets include system development costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) **Pension and Benefit Board Governance**

The pension plans and benefit programs administered by PEBA are governed by various Boards and Commissions. The expenses incurred by these governing bodies include honorariums, travel, training and consulting for initiatives related to the governance of the plans and programs.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $11,200,000 by Order in Council 4/2016.

4. Tangible Capital Assets

	2017							2016
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total	Total
Opening Net Book Value of Tangible Capital Assets	$ 256,690	$ 1,246	$ 29,962	$ 917,114	$ 746,131	$ -	$ 1,951,143	$ 2,501,789
Opening Costs of Tangible Capital Assets	1,386,127	605,899	412,645	7,436,835	2,239,710	-	12,081,216	11,949,755
Additions During Year	60,058	87,996	-	-	531,231	1,764,550	2,443,835	131,461
Disposals/ Transfers During Year	-	-	-	-	-	-	-	-
Closing Costs of Tangible Capital Assets	1,446,185	693,895	412,645	7,436,835	2,770,941	1,764,550	14,525,051	12,081,216
Opening Accumulated Amortization	1,129,437	604,653	382,683	6,519,721	1,493,579	-	10,130,073	9,447,966
Annual Amortization	88,352	2,514	6,481	222,550	191,127	-	511,024	682,107
Disposals During Year	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,217,789	607,167	389,164	6,742,271	1,684,706	-	10,641,097	10,130,073
Net Book Value of Tangible Capital Assets	$ 228,396	$ 86,728	$ 23,481	$ 694,564	$ 1,086,235	$ 1,764,550	$ 3,883,954	$ 1,951,143

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $2,003,276 (2016 - $1,773,315) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993,* to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993.*

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2017-18	$ 1,643,359
2018-19	$ 1,643,359

The following table summarizes the Revolving Fund's related party transactions.

	2017	2016
Administration fees (Statement 2)	$ 17,388,775	$ 16,837,343
Expenses:		
Salaries and Benefits	1,321,480	1,243,750
Contractual Services	49,466	62,227
Rent	1,605,245	1,325,615
Postage and Communications	483,087	517,854
Supplies	420	900
Advertising	1,458	934
Pension and Benefit Board Governance	31,180	30,000
Travel	4,783	5,915
Repairs and Maintenance	5,958	12,381
Total Related Parties Expenses	$ 3,503,076	$ 3,199,576

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2017	2016
Accounts receivable	$ 3,491,908	$ 2,089,312
Accounts payable and accrued liabilities	304,222	318,015

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.